



CALIFORNIA STATE BOARD OF EDUCATION

SEPTEMBER 2004 AGENDA

☒ **General Waiver**

SUBJECT

Request by **Moreland Elementary School District** to waive *Education Code* (EC) Section 15102, to allow the district to exceed its bonding limit of 1.25 percent of the taxable assessed value of property. (Requesting 1.76 percent)

Waiver Number: 12-7-2004

☒ **Action**

☐ **Consent**

RECOMMENDATION

☐ **Approval** ☒ **Approval with conditions** ☐ **Denial**

Approve with the condition that the bonded indebtedness of Moreland Elementary School District not exceed 1.76% of the assessed valuation of taxable property of the district and that the waiver is limited to the sale of the bonds approved by the voters in the March 2002 election. EC 33051(c) will apply.

SUMMARY OF PREVIOUS STATE BOARD OF EDUCATION DISCUSSION AND ACTION

The State Board of Education has approved previous bond issuance limit waiver requests. Those approvals have been limited to specific general obligation bond issues already approved by local voters.

SUMMARY OF KEY ISSUES

The Moreland Elementary School District is requesting a waiver of *Education Code* Section 15102 which limits the district to issuance of bonds totaling no more than 1.25% of the assessed valuation of taxable property of the district. The district is currently at 1.21% of its statutory debt limit. The effect of granting this waiver will allow the district to increase its bonded indebtedness to 1.76% of the assessed valuation.

Due to the severe budget crisis, the district was forced to consolidate two school sites into one. Unfortunately, existing facility problems were significantly exacerbated by the consolidation of these two schools (Easterbrook School and Discovery School). The student population went from 350 to 700, placing excessive constraints on an already outdated facility.

Numerous facility issues were encountered as a result of the consolidation such as: inadequate restroom facilities, small cafeteria, lack of technology connectivity to classrooms, lack of space for special educational services, age appropriate playgrounds, and inefficient classroom layout.

Without approval of the waiver, it will take up to nine years to sell bonds sufficient to renovate and expand the newly formed Easterbrook-Discovery School.

In addition to saving issuance bond fees and escalating construction costs, granting the waiver would also allow the district to: 1) immediately accommodate the Easterbrook-Discovery School; 2) enter into a long-term contract in which the district could secure a more favorable bid; 3) upgrade and add classroom technology to give students access to the technology they need to meet academic standards; and 4) renovate and repair all schools in the district. Some of the repairs and improvements are basic health and safety issues such as restroom repairs, fire safety systems, roof repairs, and upgrading doors and windows.

Background: On March 5, 2002, 72.5% of the voters in the district approved \$35 million in bond authorization for repair, renovation, upgrades and construction of additional educational facilities of which \$11.8 million has been issued to date. The district is requesting a waiver so that it may issue the remaining \$23.2 million of bonds. It is estimated that issuing the remaining bonds would raise the indebtedness of the district to approximately 1.76%. Based on a conservative projection at an average 5% growth in assessed valuation, accelerating the bond sales would result in the district exceeding the 1.25% statutory cap by about 0.51%, but falling back below the cap by August 2009. At no time would the district debt exceed 1.76% of assessed property value.

The Moreland Elementary School District has approximately 4,336 students in aging facilities that are in great need of modernization. It operates six neighborhood elementary schools and two middle schools. The current projection of assessed valuation growth has allowed the district to issue approximately \$3 million in bonds annually.

On the basis of the above analysis the department recommends approval of this waiver because it will take more than two years (projected to be August 2009) to fall back below the statutory percentage, EC 33051(c) will apply to this waiver request.

Authority for Waiver: *Education Code* (EC) Section 33050

Period of request: 10/1/2004 to 9/30/2006

Local board approval date(s): July 13, 2004

Public hearing held on date(s): July 13, 2004

Bargaining unit(s) consulted on date(s): July 8, 2004

Name of bargaining unit/representative(s) consulted: Kim Lawrence, MTA President, Tony Medina, CSEA President

Position of bargaining unit(s) (choose only one):

☐ Neutral ☒ Support ☐ Oppose

Comments (if appropriate):

Public hearing advertised by (choose one or more):

☐ posting in a newspaper ☒ posting at each school ☐ other (specify)

Advisory committee(s) consulted: Advisory Committee

Objections raised (choose one): ☒ None ☐ Objections are as follows:

Date(s) consulted: July 6, 2004

FISCAL ANALYSIS (AS APPROPRIATE)

If the waiver is granted, the district will be able to issue the remaining \$23.2 million in voter approved bonds for modernization and upgrades in the Easterbrook-Discovery School and other school projects. If the waiver is approved, it is expected to result in approximately \$7.8 million in construction cost savings and \$1 million savings due to fewer bond issuances as well as reduced staff time. The district also could avoid issuing certificates of participation which could result in an additional \$1.6 million savings.

BACKGROUND INFORMATION

Action Item: Some documentation is available for web viewing. Waiver forms and other hard copy documents are available for viewing at the Waiver Office or State Board Office.